

A G E N D A

BUDGET COMMITTEE MEETING JANUARY 15, 2003

6:30 p.m. – City Hall Council Chambers

- 1) Introductions and Roll Call—Chair Dave Aschenbrenner
- 2) Minutes of the December 16, 2002 Meeting
- 3) Recap of \$1.1 million shortfall—Budget Officer Mike Swanson
- 4) Recap of City General Fund—Budget Officer Mike Swanson (Mike Swanson will do a more detailed budget “class” after the Budget Committee meeting for those who wish to stay.)
- 5) Review Council Goals—Mayor Jim Bernard
- 6) Public Testimony and Questions
- 7) Budget Committee Comments and Questions
- 8) Set Next Meeting
- 9) Adjourn

As noted above, Mike Swanson is planning to stay after the Budget Committee meeting to make a presentation and to answer questions on the City’s budget. This is in response to many requests for a “Budget 101 class” to better understand the budget and the shortfall and the options open to the City. Anyone who wishes to attend may do so.

**BUDGET COMMITTEE MEETING
DECEMBER 16, 2002
CITY HALL COUNCIL CHAMBERS**

Budget Committee Chair David Aschenbrenner called the meeting to order at 6:30 p.m.

Budget Committee members present: Art Ball, James Bernard, Mary King, Larry Lancaster, Jeff Marshall, and Jean Michel.

Councilors Elect: Deborah Barnes and Susan Stone.

Budget Officer Comments

Budget Officer Mike Swanson reviewed the issues and events leading to Milwaukie's current shortfall. In May 2002 while preparing for the 2002 – 2003 budget process, staff projected a \$1.2 million shortfall at the beginning of the next budget year on July 1, 2003. That situation has not changed. With the defeat of the November ballot measure, Swanson recommended looking at the expenditure side of the current budget in January 2003. Right after the election, he and the finance director identified a shortfall of approximately \$977,000. However, recent Public Employees Retirement System (PERS) increases bring the shortfall back to approximately \$1.2 million.

It is important for the Committee and public to remember the shortfall is in the general fund, which is supported primarily by property taxes. Another important point to remember is that some departments are supported by dedicated funds that cannot be used for other purposes. The street department is funded by state gas taxes, and fees fund the water and sewer departments. The shortfall does not occur in these dedicated funds. The general fund supports core City services: neighborhood services, code enforcement, recycling, public access studio, police, fire contract, planning, municipal court, neighborhood grants, library, repayment to the water department for riverfront property purchases, repayment of the north main loan, contingency, and several other minor programs.

Swanson cautioned both the state and county are facing budget problems, and these entities may make decisions that further exacerbate Milwaukie's projected shortfall. For example, the legislature may take actions that reduce the City's \$300,000 in annual cigarette and liquor taxes and state shared revenues. Additionally, Clackamas County may reduce payments to cities, specifically for libraries.

Milwaukie voters sent a clear message in November, and Swanson recommended reviewing and imposing adjustments this fiscal year to reduce the

projected July 2003 shortfall. He further recommended beginning the 2003 – 2004 budget process to eliminate the rest of the shortfall by making adjustments in the whole budget.

Public Comments

Pat Healy, Ledding Library Board Chair, joined by other Board members and library advocates, urged continued support of library services. His 3 main points were: library funds are in jeopardy of being used for other departments; circulation-based funding will go down if library hours are reduced; and proposed changes to the County distribution formula would reduce Ledding Library funding by about \$30,000 next year. The case can be made that the Library is an essential City service as well as being an important factor in downtown revitalization efforts.

Councilor Elect Comments

Barnes said it is important to have a Milwaukie vision as part of the Budget Committee mission. She encouraged creating a development plan that would attract investors and developing partnerships, particularly with the North Clackamas School District. City Council members must work together to keep citizens informed. She recommended a review of City contracts, vehicle purchases, travel expenses that could be reduced by using technology, and cable access studio operational cost reductions. There are many grant opportunities available, which Barnes believes the City should investigate.

Stone feels the Budget Committee is making a good start in determining how to allocate funds to meet the shortfall. As a conservative, she did not support the November ballot measure. She urged a creative and thoughtful process leading to a change in the way funds are allocated rather than cutting positions.

Budget Committee Comments

King felt it should be clear the Budget Committee would not be vindictive in its reductions. It is important to maintain as many living wage jobs as possible and to sustain those essential services that make up the soul of the community of which neighborhood and library services are examples.

Bernard expressed his appreciation to those taking time to attend this meeting to show their support for City services. Although he felt the ballot measure should have passed, the voter response was clear, and he does not intend to be vindictive when budget adjustments are made. He noted the many outside forces at work including shortfalls in state and county budgets.

Marshall feels strongly about supporting the system of neighborhood associations and the work that has gone into building communications between residents and their local government. The services currently being provided are the ones citizens identified in the yearlong neighborhood visioning process. Budget Committee decisions and Council policy, once set, take time to emerge in the community. Marshall urged the group to be thoughtful and protective of what has been gained. The process is dynamic, and the long-term projection is not necessarily bleak.

Ball had shared his thoughts and concerns with the mayor, city manager, and several Budget Committee members after the election. Among his recommendations for expenditure cuts were: implement a hiring freeze that would include no replacement personnel for vacations and extended leaves; eliminate all dinners for staff and advisory committees; purchase no new equipment; reduce neighborhood grants to \$5,000 annually, freeze wages for all non-union employees; re-evaluate pros and cons of annexation; and reduce number of employees through attrition. He further suggested taking police and library out of the general fund and going to the voters with operating levies.

Lancaster said the simple fact is that funding has gone away, and the City is faced with making hard choices about cutting some very good programs. He believes it is essential to hear from as many citizens as possible to understand which programs should be preserved and which to let go.

Bernard believes police and library are essential community services; however, what form these services may take is the difficult question. He knows the county will cut library funding, so something must be done now. In order to preserve the library, it may have to close for a day or half day. He urged the police department to look for cost efficiencies through the City's emergency dispatch agreement with Lake Oswego and use of technology. Some employees will retire because of the PERS situation, and that in itself will help the City. There are many significant problems ahead, and Bernard hopes the citizens will share their feelings with the Budget Committee.

King added she was disappointed the ballot measure had failed so substantially. She reminded citizens to think about what priorities go into making a wonderful city like Milwaukie.

Aschenbrenner announced a vacancy on the Budget Committee and urged citizens to attend future meetings.

Next Meeting

January 15, 2003, 6:30 p.m., Council Chambers. Swanson will provide some alternatives for cutting expenditures and provide the Committee with a target. The issue will be what the policy makers want Milwaukie to look like with a balanced budget. It would be very helpful for citizens to testify at the next meeting about what services they want the City to provide. Decisions made on these general fund programs define the community.

The group agreed it is important for the newly seated Council to review the Community Goals and either affirm or change them before the Budget Committee meets.

Lancaster requested updated general fund revenue figures.

Kappa suggested postponing the next Budget Committee meeting until neighborhoods had a chance to respond.

Stone suggested outreach through *The Pilot*, setting up phone line for citizen input, and using the website.

The meeting adjourned at 7:45 p.m.

Pat DuVal, Recorder